Workplace Safety and Insurance Board

Second Quarter 2019 Results

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Second Quarter **2019** Results

Here to help

When an injury or illness happens on the job, we move quickly to provide wage-loss benefits, medical coverage and help getting back to work.

We cover over five million people in more than 300,000 workplaces across Ontario. We are committed to meeting, and exceeding, the needs of those injured at work and employers by adhering to fairness, integrity and professionalism in all we do.

Commitment to accountability

We're funded by premiums paid by businesses across the province. We closely monitor and report on our operating results and financial position to be transparent with those we serve. We hope this report provides you with a clear picture of how we are doing.

Contact us

If you have questions about our results you can contact us at **communications@wsib.on.ca**.

Second Quarter **2019** Results

Table of contents

Highlights this quarter

The following section includes a combination of noteworthy items from the management's discussion and analysis ("MD&A"), the unaudited condensed interim consolidated financial statements and other announcements.

Decrease in registered claim volume | The number of Schedule 1 claims registered in Q2 was 5% lower than the same quarter last year, going from 53,931 to 51,235 claims. This was the first time we have seen a year-over-year decrease since Q3 2017. Registered claim volume had been increasing steadily for six consecutive quarters, a trend also observed by other compensation boards across Canada.

Year-to-date registered claim volume remained slightly higher than last year, by 0.6%, and it is unclear whether a decrease in claim volume will continue to be an ongoing trend.

Supporting recovery and return-to-work | Outcomes for people with workplace injuries or illnesses remained stable in Q2. Ninety-one per cent of people returned to work within 12 months with no wage loss, which is similar to our Q2 2018 and Q1 2019 results of 90%. Of those with workplace injuries or illnesses, 5.8% of people experienced a permanent impairment, which is an increase compared to 5.2% for the same period last year. At the same time, the percentage of people employed after completing a return-to-work plan improved to 96%, up from 90% in Q2 2018.

Increasing short and medium-term durations | Q2 saw a continued increase in claim durations, which is the amount of time that claims continue to require benefits on average. For example, three-month duration increased 1% from Q2 2018, going from 13.2% to 14.2%. Of the various claim durations we track, only 72-month duration remained unchanged compared to last year (2.0%).

Fewer incoming appeals | The number of new appeals coming in to the WSIB was 11% lower in Q2 2019 than in Q2 2018. Appeal decisions continued to be timely in Q2, with 93% of appeals resolved within six months. In Q2, 23% of appeal issues were allowed and 6% were allowed in part, both within expected ranges.

Customer satisfaction remains stable | Compared to Q2 2018 and to last quarter, the percentage of people who are satisfied with their overall experience with the WSIB remained stable. Seventy-one per cent of people with workplace injuries or illnesses and 79% of businesses expressed satisfaction with our services in Q2.

Increasing funded position | As at June 30, 2019, our net assets on a Sufficiency Ratio basis were $3.2 billion, an increase of $0.6 billion from $2.6 billion as at December 31, 2018. This corresponds to a Sufficiency Ratio of 110.2%, compared to 108.0% at year-end 2018.

Increased claim payments | Claim payments increased $10 million, or 1.5%, compared to Q2 2018 as a result of higher costs in loss of earnings benefit due to increasing claim durations, and higher health care expense driven by an increase in cost per service.

Premium rate reduction | Net premiums decreased $303 million, or 23.2%, compared to Q2 2018 as a result of the announced 29.8% reduction to the average premium rate, partially offset by an increase in insurable earnings. This growth was primarily in the education, electrical, health care, manufacturing and services industries.

Investment returns | Our investment portfolio returned 1.9% during the quarter, compared to 1.6% in the same quarter last year. Portfolio returns in Q2 were driven by strong performance in diversified markets (4.2%) and infrastructure (2.6%), tempered by lower returns in real estate (1.6%), absolute return (1.6%), public equities (1.4%) and fixed income (1.3%). Long-term investment returns (10-year (+8.3%) and 15-year (+6.5%)) remain within or above the long-term target of 3.5% to 6.7%.

Increased administration costs | As expected, administration and other expenses, before allocation to claim costs, increased $7 million, or 3.2%, compared to Q2 2018, reflecting $4 million of higher salaries and short-term benefits, $2 million of higher depreciation and amortization and $1 million higher other operating expense.

New developments

Making Ontario a safer place to work | Based on the 2019 results of the WSIB's Health and Safety Index, the overall health and safety of Ontario's workplaces improved by 1.9% compared to last year. This is the second year in a row that workplace health and safety has improved, following a 1.6% increase in 2018. The index includes 15 metrics covering five different areas of workplace health and safety. Metrics include both "leading" and "lagging" indicators of safety. Growing empowerment amongst people working in Ontario had the largest positive impact on the Index this year.

Latest By the Numbers statistical report released | The latest edition of By the Numbers, the WSIB's annual statistical report, has been released and is publicly available at wsibstatistics.ca. The report highlights health and safety trends in Ontario, including injuries, fatalities and return-to-work results. The Report Builder is available as an innovative tool that lets you customize reports to your area of interest.

Workplace safety for summer students | We know that young people represent a growing proportion of those with workplace injuries or illnesses in Ontario. Our annual #PracticeSafeWork campaign aims to help raise awareness and empower young people in the workplace. This year, we added more information and helpful tips for parents with children working summer jobs.

Even easier to submit documents to the WSIB online | Since last fall, businesses, people with workplace injuries and illnesses and health care practitioners have been able to submit claim-related documents online through our website. In April, based on customer feedback, we made enhancements to further increase the efficiency of this service. Now all you need is the name of the person with the workplace injury or illness, the claim number and the person's date of birth to upload and go. This online service is another way we are making it easier for people to work with the WSIB.

Digging deeper

Ushering in a new era of premium rate setting

We are introducing a new way to set premium rates for the over 300,000 Ontario businesses covered by our workplace injury and illness insurance.

The new model classifies businesses using the North American Industry Classification System ("NAICS"), which is already used by the Canada Revenue Agency and is a North American standard. Adopting NAICS will make it easier for businesses to understand how they and other businesses are classified.

Our new model comes into effect January 1, 2020, changing the way businesses are classified, boosting fairness and increasing transparency in how premium rates are set and adjusted. Premium rates under the new model will be based on a business's 2019 rate group, claims experience, the size of their business, new NAICS classification, new projected premium rate and whether or not they were in an experience rating program previously.

The model is also prospective, which means a business's individual risk and claims experience will be incorporated into their actual premium rate.

For the first time, we are also sharing projected premium rate information with businesses. Projected premium rates provide the future direction a business's premium rate is headed if there is no change in individual and class experience from year to year. This information will help businesses plan for the future and make the necessary investments in their workplace health and safety efforts.

To help businesses smoothly transition to our new model, any rate decreases will be applied immediately to 2020 rates, while any initial rate increases will be staggered over a three-year period.

The 2020 class rates for each of the 34 NAICS classes in the new model are shown below. These class rates have been set based on the collective risk profile of all of the businesses within the class and represent the class's share of responsibility to maintain the insurance fund.

Class	Class description	2020 rate
A	Agriculture	$2.88
B	Mining, Quarrying and Oil and Gas Extraction	$2.62
C	Utilities	$0.82
D1	Educational Services	$0.34
D2	Public Administration	$3.50
D3	Hospitals	$0.87

Class	Class description	2020 rate
E1	Food, Textiles and Related Manufacturing	$1.41
E2	Non-Metallic and Mineral Manufacturing	$2.15
E3	Printing, Petroleum and Chemical Manufacturing	$1.21
E4	Metal, Transportation Equipment and Furniture Manufacturing	$1.92
E5	Machinery, Electrical Equipment and Miscellaneous Manufacturing	$1.27
E6	Computer and Electronic Manufacturing	$0.28
F1	Rail, Water, Truck Transportation and Postal Service	$4.27
F2	Air, Transit, Ground Passenger, Recreational and Pipeline Transportation, Courier Services and Warehousing	$1.68
G1	Building Construction	$2.30
G2	Infrastructure Construction	$2.31
G3	Foundation, Structure and Building Exterior Construction	$4.45
G4	Building Equipment Construction	$1.84
G5	Specialty Trades Construction	$2.47
H1	Petroleum, Food, Motor Vehicle and Miscellaneous Wholesale	$1.76
H2	Personal and Household Goods, Building Materials and Machinery Wholesale	$0.82
I1	Motor Vehicles, Building Materials and Food and Beverage Retail	$1.35
I2	Furniture, Home Furnishings, Clothing and Clothing Accessories Retail	$0.81
I3	Electronics, Appliances and Health and Personal Care Retail	$0.34
I4	Specialized Retail and Department Stores	$0.93
J	Information and Culture	$0.36

Class	Class description	2020 rate
K	Finance, Management and Leasing	$0.90
L	Professional, Scientific and Technical	$0.31
M	Administration, Services to Buildings, Dwellings and Open Spaces	$1.67
N1	Ambulatory Health Care	$1.36
N2	Nursing and Residential Care Facilities	$2.02
N3	Social Assistance	$1.22
O	Leisure and Hospitality	$1.05
P	Other Services	$1.51

Management's discussion and analysis

The following Management's Discussion and Analysis ("MD&A") and accompanying unaudited condensed interim consolidated financial statements, as approved by the Board of Directors of the Workplace Safety and Insurance Board, are prepared by management as at and for the three months and six months ended June 30, 2019.

It should be read in conjunction with the unaudited condensed interim consolidated financial statements of the WSIB as at and for the three months and six months ended June 30, 2019, and the annual information available in the consolidated financial statements and the accompanying notes as at and for the year ended December 31, 2018.

The accompanying unaudited condensed interim consolidated financial statements as at and for the three months and six months ended June 30, 2019 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting,* using accounting policies consistent with International Financial Reporting Standards ("IFRS").

In this MD&A, "WSIB," or the words "our," "us" or "we" refer to the Workplace Safety and Insurance Board (the "WSIB"). All amounts herein are denominated in millions of Canadian dollars, unless otherwise stated.

Forward-looking statements contained in this document represent management's expectations, estimates and projections regarding future events based on information currently available, and involve assumptions, judgments, inherent risks and uncertainties. Readers are cautioned that these forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in our forward-looking statements. Furthermore, unless otherwise stated, the forward-looking statements contained in this report are made as of the date of this report and we do not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable legislation or regulation.

Thomas Teahen
President and Chief Executive Officer
September 18, 2019
Toronto, Ontario

Tom Bell
Chief Risk Officer and Acting Chief Financial Officer

1. Financial analysis

Financial results

(millions of Canadian dollars)	Three months ended June 30 2019	Three months ended June 30 2018[1]	Six months ended June 30 2019	Six months ended June 30 2018[1]
Revenues				
Net premiums	1,001	1,304	1,877	2,517
Net investment income	649	480	2,530	494
	1,650	**1,784**	**4,407**	**3,011**
Expenses				
Total claim costs	729	321	1,551	1,084
Loss of Retirement Income Fund contributions	14	15	28	29
Administration and other expenses	119	112	234	222
Legislated obligations and funding commitments	66	64	129	134
	928	**512**	**1,942**	**1,469**
Excess of revenues over expenses	**722**	**1,272**	**2,465**	**1,542**
Total other comprehensive income (loss)	(322)	100	(706)	223
Total comprehensive income	**400**	**1,372**	**1,759**	**1,765**
Other measures				
Return on investments[2]	1.9%	1.6%	7.7%	1.9%

	Jun. 30 2019	Dec. 31 2018
Net assets [3, 4]	2,980	1,484
Net assets – Sufficiency Ratio basis[4]	3,217	2,550
Sufficiency Ratio[4]	110.2%	108.0%

1. Certain comparative amounts have been reclassified to be consistent with the current period's presentation.
2. Return on investments is the investment income (loss), net of transaction costs and withholding taxes, generated over a given period of time as a percentage of the capital invested taking into account capital contributions and withdrawals.
3. Net assets represent the net assets attributable to WSIB stakeholders as at the end of the reporting period. The total net assets of $6,329 million as at June 30, 2019 (December 31, 2018 – $4,642 million) are allocated between the WSIB stakeholders and the non-controlling interests ("NCI") on the basis of their proportionate interests in the net assets of the WSIB. NCI represent the proportionate interest of the net assets and total comprehensive income of subsidiaries in which the WSIB directly or indirectly owns less than 100% interest. NCI of $3,349 million as at June 30, 2019 (December 31, 2018 – $3,158 million) exclude benefit liabilities since the holders of

NCI, the WSIB Employees' Pension Plan and other investors, are not liable for those obligations. The proportionate share of the total net assets attributable to WSIB stakeholders as at June 30, 2019 was $2,980 million (December 31, 2018 – $1,484 million), which includes benefit liabilities. Refer to the unaudited interim consolidated statements of financial position for further details.

4. Refer to Section 4 – Reconciliation of the net assets on a Sufficiency Ratio basis for further details.

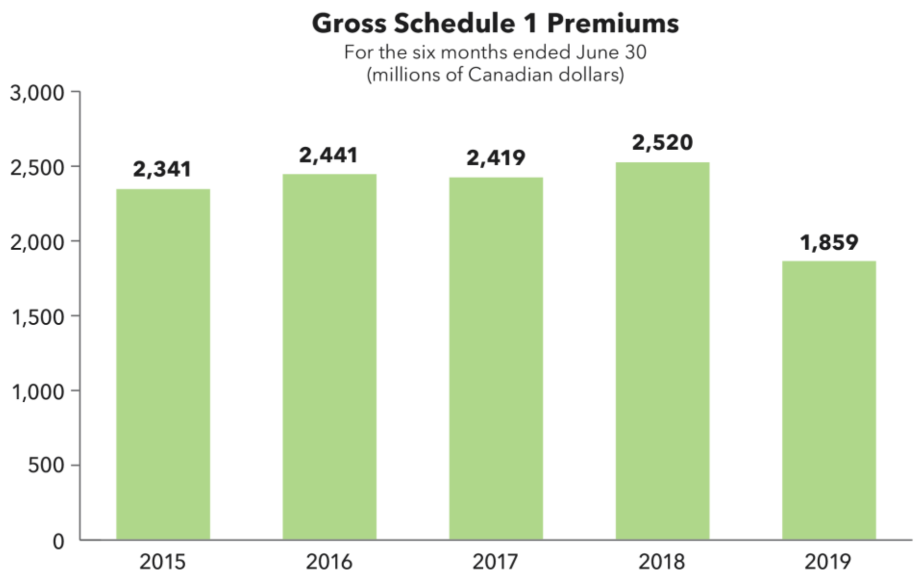
Net premiums

(millions of Canadian dollars)	Three months ended June 30				Six months ended June 30			
			Change				Change	
	2019	**2018[1]**	**$**	**%**	**2019**	**2018[1]**	**$**	**%**
Gross Schedule 1 premiums	977	1,296	(319)	(24.6)	1,859	2,520	(661)	(26.2)
Bad debts	(8)	(14)	6	42.9	(28)	(27)	(1)	(3.7)
Interest and penalties	21	21	-	-	37	36	1	2.8
Other income	1	-	1	-	2	1	1	100
Schedule 1 employer premiums	**991**	**1,303**	**(312)**	**(23.9)**	**1,870**	**2,530**	**(660)**	**(26.1)**
Schedule 2 employer administration fees	23	25	(2)	(8.0)	44	48	(4)	(8.3)
Premiums	**1,014**	**1,328**	**(314)**	**(23.6)**	**1,914**	**2,578**	**(664)**	**(25.8)**
Net mandatory employer incentive programs	(13)	(24)	11	45.8	(37)	(61)	24	39.3
Net premiums	**1,001**	**1,304**	**(303)**	**(23.2)**	**1,877**	**2,517**	**(640)**	**(25.4)**

1. Certain comparative amounts have been reclassified to be consistent with the current period's presentation.

For the three months ended June 30, 2019, gross Schedule 1 premiums decreased $319 million, or 24.6%, reflecting a $361 million, or 27.9%, reduction in the realized average premium rate collected from employers, resulting from the reduction in the published 2019 premium rates, partially offset by a $42 million, or 4.6%, increase in insurable earnings. This moderate insurable earnings growth was primarily in the education, electrical, health care, manufacturing and services industries.

For the six months ended June 30, 2019, gross Schedule 1 premiums decreased $661 million, or 26.2%, reflecting a $725 million, or 28.8%, reduction in the realized average premium rate collected from employers as a result of the reduction in the published 2019 premium rates, partially offset by a $64 million, or 3.6%, increase in insurable earnings. This moderate insurable earnings growth was primarily in the education, electrical, health care, manufacturing and services industries.



Net investment income

Investment strategy (millions of Canadian dollars)	Three months ended June 30							
	2019				2018			
	Investment income (loss)	Return[1] %	Net asset Value[2]	%	Investment income (loss)	Return[1] %	Net asset Value[2]	%
Public equities	192	1.4	13,542	36.1	336	2.7	12,809	36.4
Fixed income	85	1.3	6,931	18.5	26	0.4	6,848	19.5
Absolute return	73	1.6	3,727	10.0	(8)	0.1	3,635	10.3
Diversified markets	178	4.2	4,601	12.3	44	1.0	4,453	12.7
Real estate	60	1.6	4,097	10.9	67	1.9	3,906	11.1
Infrastructure	113	2.6	3,508	9.4	63	1.4	2,932	8.3
Cash and cash equivalents	4	0.5	958	2.6	4	0.6	545	1.5
Other	-	-	62	0.2	-	-	66	0.2
Investment income	**705**	**1.9**	**37,426**	**100.0**	**532**	**1.6**	**35,194**	**100.0**
Investment expenses	(56)				(52)			
Net investment income	**649**				**480**			

1. Return percentages are based on investment income prior to adjustments such as translation gains and losses on net foreign investments.
2. Total net asset value includes investment cash, investment receivables and payables, and investment derivatives within investment strategies.

For the three months ended June 30, 2019, net investment income was $649 million, reflecting an overall return of 1.9%. Net investment income increased by $169 million compared to the same period last year, mainly driven by strong performance in diversified markets, which led the other asset class returns.

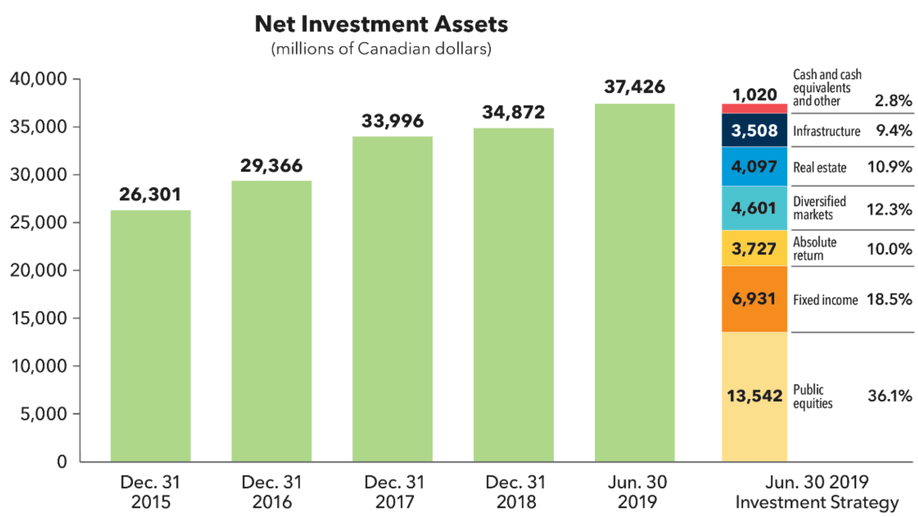
Investment strategy (millions of Canadian dollars)	Six months ended June 30 2019 Investment income (loss)	Return[1] %	Net asset Value[2]	%	2018 Investment income (loss)	Return[1] %	Net asset Value[2]	%
Public equities	1,420	12.0	13,542	36.1	457	3.6	12,809	36.4
Fixed income	230	3.6	6,931	18.5	37	0.5	6,848	19.5
Absolute return	142	3.2	3,727	10.0	(50)	(0.5)	3,635	10.3
Diversified markets	566	14.6	4,601	12.3	(56)	(1.4)	4,453	12.7
Real estate	114	3.2	4,097	10.9	134	4.0	3,906	11.1
Infrastructure	171	3.6	3,508	9.4	72	2.9	2,932	8.3
Cash and cash equivalents	7	1.0	958	2.6	6	0.9	545	1.5
Other	-	-	62	0.2	-	-	66	0.2
Investment income	**2,650**	**7.7**	**37,426**	**100.0**	**600**	**1.9**	**35,194**	**100.0**
Investment expenses	(120)				(106)			
Net investment income	**2,530**				**494**			

1. Return percentages are based on investment income prior to adjustments such as translation gains and losses on net foreign investments.
2. Total net asset value includes investment cash, investment receivables and payables, and investment derivatives within investment strategies.

For the six months ended June 30, 2019, net investment income was $2,530 million, reflecting an overall return of 7.7%. Net investment income increased by $2,036 million compared to the same period last year, mainly driven by very strong performance in the public equities and diversified markets strategies, which exceeded 10%, leading all other asset class returns.

During the six months ended June 30, 2019, net investment assets increased $2,554 million to $37,426 million. This was comprised largely of investment income before investment expenses of $2,650 million (7.7% gross return) and partially offset by transfers to operating activities of $40 million.

Long-term investment returns (10-year (+8.3%) and 15-year (+6.5%)) remain within, or above the long-term target of 3.5% to 6.7%. We believe our long-term return expectations within this range remain appropriate.



Total claim costs

Total claim costs consist of:

- claim payments to or on behalf of people with work-related injuries or illnesses;
- claim administration costs, which represent an estimate of our administration costs necessary to support benefit programs; and
- the change in the actuarial valuation of our benefit liabilities, which represents an adjustment to the actuarially determined estimates for future claim costs existing at the dates of the unaudited condensed interim consolidated statements of financial position.

	Three months ended June 30				**Six months ended June 30**			
			Change				**Change**	
(millions of Canadian dollars)	**2019**	**2018**	**$**	**%**	**2019**	**2018**	**$**	**%**
Claim payments	629	622	7	1.1	1,258	1,241	17	1.4
Claim administration costs	111	113	(2)	(1.8)	222	225	(3)	(1.3)
Change in actuarial valuation of benefit liabilities	(11)	(414)	403	97.3	71	(382)	453	100+
Total claim costs	**729**	**321**	**408**	**100+**	**1,551**	**1,084**	**467**	**43.1**

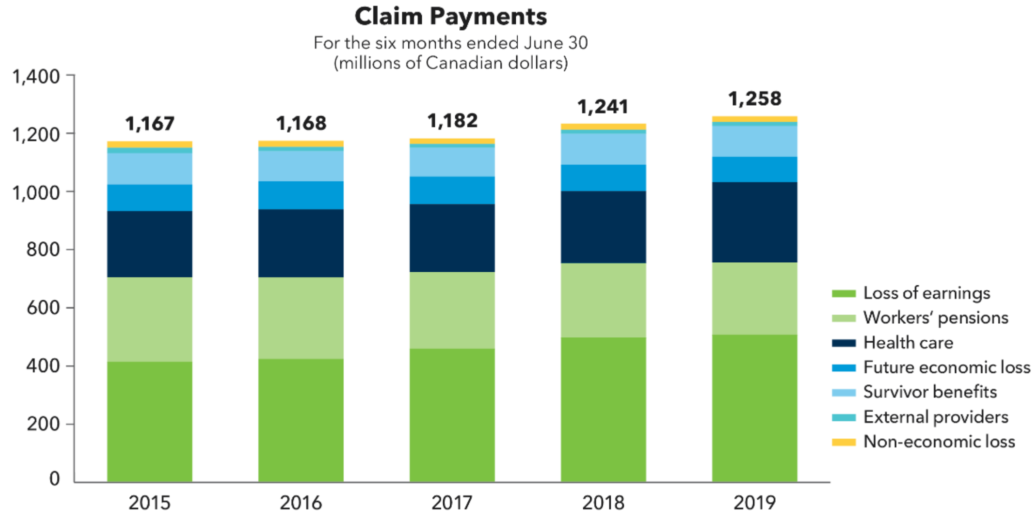
Claim payments

	Three months ended June 30				**Six months ended June 30**			
			Change				**Change**	
(millions of Canadian dollars)	**2019**	**2018**	**$**	**%**	**2019**	**2018**	**$**	**%**
Loss of earnings	263	254	9	3.5	505	496	9	1.8
Workers' pensions	122	126	(4)	(3.2)	251	258	(7)	(2.7)
Health care	133	119	14	11.8	276	247	29	11.7
Survivor benefits	51	54	(3)	(5.6)	106	106	-	-
Future economic loss	44	46	(2)	(4.3)	87	91	(4)	(4.4)
External providers	6	7	(1)	(14.3)	13	14	(1)	(7.1)
Non-economic loss	10	16	(6)	(37.5)	20	29	(9)	(31.0)
Total claim payments	**629**	**622**	**7**	**1.1**	**1,258**	**1,241**	**17**	**1.4**

A summary of the significant changes in claim payments for the three months and six months ended June 30, 2019 is as follows:

- Loss of earnings benefits were $9 million higher for both three months and six months ended June 30, 2019, primarily due to higher volume and payments associated with prior year claims.

- Health care expenses were $14 million and $29 million higher, respectively, due to the higher claim volume as well as the higher cost of health services.
- Survivor benefits were consistent period over period.
- Future economic loss benefits were $2 million and $4 million lower, respectively, due to the natural reduction in the number of claimants reaching age 65, the age at which these benefits cease. This program has been discontinued.
- Non-economic loss benefits were $6 million and $9 million lower, respectively, due to higher payments than usual in 2018 associated with the claim review initiative addressing pre-existing conditions.



Claim administration costs

(millions of Canadian dollars)	Three months ended June 30				Six months ended June 30			
			Change				Change	
	2019	**2018**	**$**	**%**	**2019**	**2018**	**$**	**%**
Allocation from administration and other expenses	105	105	-	-	210	211	(1)	(0.5)
Allocation from legislated obligations and funding commitments expenses	6	8	(2)	(25.0)	12	14	(2)	(14.3)
Total claim administration costs	**111**	**113**	**(2)**	**(1.8)**	**222**	**225**	**(3)**	**(1.3)**

Claim administration costs reflect the portions of administration and other expenses and legislated obligations and funding commitments expenses allocated to claim costs. For the three months and six months ended June 30, 2019, the change was attributed to lower costs for legislated obligations and funding commitment expenses.

Change in actuarial valuation of benefit liabilities

	Three months ended June 30		Six months ended June 30	
(millions of Canadian dollars)	**2019**	**2018**	**2019**	**2018**
Change in actuarial valuation of benefit liabilities	(11)	(414)	71	(382)

For the six months ended June 30, 2019, the change in actuarial valuation of benefit liabilities is detailed as follows:

(millions of Canadian dollars)	
Benefit liabilities as at December 31, 2018	**27,210**
Payments made in 2019 for prior injury years (include Loss of Retirement Income and claim administration costs)	(1,361)
Interest accretion[1]	626
Liabilities incurred for the 2019 injury year	871
Experience gains	(65)
Benefit liabilities as at June 30, 2019	**27,281**
Change in actuarial valuation of benefit liabilities	**71**

1. Accretion represents the estimated interest cost of the benefit liabilities, considering the discount rate, benefit liabilities at the beginning of the period and payments made during the period.

Administration and other expenses

(millions of Canadian dollars)	Three months ended June 30 2019	2018[1]	Change $	Change %	Six months ended June 30 2019	2018[1]	Change $	Change %
Salaries and short-term benefits	114	110	4	3.6	226	226	-	-
Employee benefit plans	45	47	(2)	(4.3)	92	96	(4)	(4.2)
Depreciation and amortization	12	10	2	20	24	20	4	20.0
Other	53	50	3	6.0	102	91	11	12.1
	224	**217**	**7**	**3.2**	**444**	**433**	**11**	**2.5**
Claim administration costs allocated to claim costs	(105)	(105)	-	-	(210)	(211)	1	0.5
Total administration and other expenses	**119**	**112**	**7**	**6.3**	**234**	**222**	**12**	**5.4**

1. Certain comparative amounts have been reclassified to be consistent with the current period's presentation.

A summary of the significant changes in administration and other expenses, before allocation to claim costs, for the three months ended June 30, 2019 is as follows:

- Salaries and short-term benefits increased $4 million, primarily reflecting inflationary pressures.
- Employee benefit plans decreased $2 million, reflecting a 50 basis point increase (from 3.45% to 3.95%) in the discount rate used to value our pension obligations.
- Depreciation and amortization expenses increased by $2 million, reflecting the impact of the application of IFRS 16.
- Other operating expenses increased $3 million, primarily reflecting higher fees for professional services.

A summary of the significant changes in administration and other expenses, before allocation to claim costs, for the six months ended June 30, 2019 is as follows:

- Employee benefit plans decreased $4 million, reflecting a 50 basis point increase (from 3.45% to 3.95%) in the discount rate used to value our pension obligations.
- Depreciation and amortization increased $4 million, reflecting the impact of the application of IFRS 16.
- Other operating expenses increased $11 million, primarily reflecting higher fees for professional services and new initiatives as part of our transformational efforts.

Legislated obligations and funding commitments expenses

	Three months ended June 30				Six months ended June 30			
			Change				Change	
(millions of Canadian dollars)	**2019**	**2018**	**$**	**%**	**2019**	**2018**	**$**	**%**
Legislated obligations								
Occupational Health and Safety Act	29	23	6	26.1	53	52	1	1.9
Ministry of Labour Prevention Costs	25	26	(1)	(3.8)	50	55	(5)	(9.1)
	54	49	5	10.2	103	107	(4)	(3.7)
Workplace Safety and Insurance Appeals Tribunal	6	9	(3)	(33.3)	13	15	(2)	(13.3)
Workplace Safety and Insurance Advisory Program	3	4	(1)	(25.0)	8	8	-	-
Total legislated obligations	**63**	**62**	**1**	**1.6**	**124**	**130**	**(6)**	**(4.6)**
Funding commitments								
Grants and other funding commitments	1	-	1	100+	1	1	-	-
Safety program rebates	8	10	(2)	(20.0)	16	17	(1)	(5.9)
Total funding commitments	**9**	**10**	**(1)**	**(10.0)**	**17**	**18**	**(1)**	**(5.6)**
	72	**72**	**-**	**-**	**141**	**148**	**(7)**	**(4.7)**
Claim administration costs allocated to claim costs	(6)	(8)	2	25.0	(12)	(14)	2	14.3
Total legislated obligations and funding commitments	**66**	**64**	**2**	**3.1**	**129**	**134**	**(5)**	**(3.7)**

For the three months ended June 30, 2019, legislated obligations and funding commitments expenses, before allocation to claim costs, were $72 million, which approximated 2018 actuals.

For the six months ended June 30, 2019, legislated obligations and funding commitments expenses, before allocation to claim costs, decreased by $7 million, or 4.7%, primarily reflecting lower costs by the Ministry of Labour (the “MoL”) to administer and enforce the *Occupational Health and Safety Act* (“OHSA”).

2. Changes in financial position

This section discusses the significant changes in our June 30, 2019 unaudited condensed interim consolidated statements of financial position compared to year-end 2018.

(millions of Canadian dollars)	Jun. 30 2019	Dec. 31 2018	Change $	Change %	Commentary
Assets					
Cash and cash equivalents	2,853	2,538	315	12.4	Increase primarily reflects an increase in cash held for investments and cash collateral used to support our derivative positions.
Receivables and other assets	1,351	1,480	(129)	(8.7)	Decrease primarily reflects lower investment receivables, lower premium receivables and lower accrued premium receivables, partially offset by higher surcharges on employer incentive programs.
Public equity securities	13,732	12,548	1,184	9.4	Net change reflects performance of these asset classes and net cash withdrawals for operating activities in 2019.
Fixed income securities	7,746	7,634	112	1.5	
Derivative assets	431	159	272	171.1	
Investment properties	1,415	1,412	3	0.2	
Investments in associates and joint ventures	2,343	2,322	21	0.9	
Other invested assets	8,878	8,929	(51)	(0.6)	
Property, equipment and intangible assets	351	287	64	22.3	Increase primarily reflects adjustments related to the initial application of IFRS 16, partially offset by decreases related to the new accounts and claims management system.

(millions of Canadian dollars)	Jun. 30 2019	Dec. 31 2018	Change $	Change %	Commentary
Liabilities					
Payables and other liabilities	1,209	1,604	(395)	(24.6)	Decrease primarily reflects lower investment payables, lower occupational health and safety payables and lower experience rating refunds payable.
Derivative liabilities	42	448	(406)	(90.6)	Decrease largely reflects changes in our currency and futures positions within the investment portfolio.
Long-term debt and lease liabilities	203	114	89	78.1	Increase primarily due to application of IFRS 16, which changed qualifying operating leases to capital leases.
Loss of Retirement Income Fund liability	1,954	1,867	87	4.7	Increase reflects net investment income partially offset by disbursements in excess of contributions.
Employee benefit plans liability	2,082	1,424	658	46.2	Increase reflects a decrease in the interest rate used for valuation.
Benefit liabilities	27,281	27,210	71	0.3	Increase primarily due to higher liabilities for the new injury year.
Net assets	2,980	1,484	1,496	100.8	Changes reflect total comprehensive income attributable to WSIB stakeholders and impact of the initial application of IFRS 16.
Net assets – Sufficiency Ratio basis	3,217	2,550	667	26.2	Strengthening due to continued strong operating results.
Sufficiency Ratio	110.2%	108.0%		2.2	

3. Liquidity and capital resources

	Three months ended June 30		Six months ended June 30	
(millions of Canadian dollars)	**2019**	**2018**	**2019**	**2018**
Cash and cash equivalents, beginning of period	2,782	2,078	2,538	2,586
Net cash provided (required) by operating activities	(1)	374	(261)	503
Net cash provided (required) by investing activities	64	(269)	632	(901)
Net cash provided (required) by financing activities	8	(27)	(56)	(32)
Cash and cash equivalents, end of period	**2,853**	**2,156**	**2,853**	**2,156**

A summary of the significant changes in cash and cash equivalents for the three months ended June 30, 2019 is as follows:

- Cash required by operating activities was $1 million compared to $374 million of cash provided in 2018, reflecting an increase in amounts paid on payables and lower amounts collected on premium receivables (excluding investments) primarily due to the reduction in average premium rates.
- Cash provided by investing activities was $64 million compared to $269 million required for investing activities during the same period in 2018. This largely reflects increases in cash provided from the public equity and infrastructure strategies, which was offset by investments in the absolute return strategy.
- Cash provided by financing activities was $8 million compared to cash required of $27 million in 2018. The increase in cash provided by financing activities is mainly due to net contributions by non-controlling interests from subsidiaries and a decrease in debt repayments in the period compared to the prior period.

A summary of the significant changes in cash and cash equivalents for the six months ended June 30, 2019 is as follows:

- Cash required by operating activities was $261 million compared to $503 million of cash provided in 2018, reflecting an increase in amounts paid on payables and lower amounts collected on premium receivables (excluding investments) primarily due to the reduction in average premium rates.
- Cash provided by investing activities was $632 million compared to $901 million required for investing activities during the same period in 2018. This reflects significant cash invested largely in the fixed income, diversified markets, absolute return and infrastructure strategies offset partially by cash provided from the public equity strategy in 2018. In 2019, diversified markets, fixed income, absolute return and infrastructure strategies provided significant cash, offset to a small extent by investments in real estate strategy.

- Cash required by financing activities was $56 million compared to $32 million in 2018. The increase in cash required for financing activities is mainly due to increased net withdrawals by non-controlling interests from subsidiaries, offset partially by a decrease in debt repayments in the period compared to the prior period.

Credit facilities

There were no significant changes during the quarter.

Commitments

There were no significant changes during the quarter.

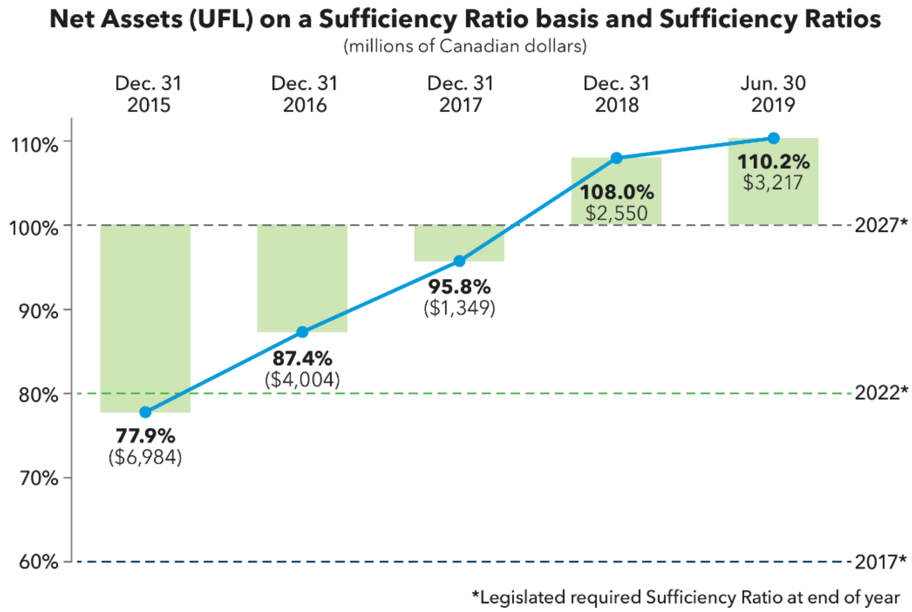
4. Reconciliation of the net assets on a Sufficiency Ratio basis

The Sufficiency Ratio is calculated by comparing total assets to total liabilities, with certain assets and liabilities measured on a different basis than that required under IFRS. For the purpose of the Sufficiency Ratio calculation, the amounts of total assets and total liabilities, as presented on the unaudited condensed interim consolidated statements of financial position, are adjusted to reflect measurement on a going concern basis.

The investment portfolio is valued at fair value adjusted by investment gains and losses deviating from the net investment return objective, less the interests in those assets held by third parties (non-controlling interests). These gains or losses are amortized over a five-year period, thereby moderating the effect of market volatility. The values of the employee benefit plans obligations are determined through an actuarial valuation using the going concern basis, rather than the market basis.

As at June 30, 2019, the Sufficiency Ratio, as defined in the *Ontario Regulation 141/12* and amended by *Ontario Regulation 338/13* (collectively, the “Ontario Regulations”), was 110.2% (December 31, 2018 – 108.0%). Set forth below is the reconciliation of the net assets between the IFRS basis and Sufficiency Ratio basis:

(millions of Canadian dollars)	**June 30 2019**	**December 31 2018**
Net assets attributable to WSIB stakeholders on an IFRS basis	2,980	1,484
Add (Less): Adjustments per Ontario Regulations:		
Change in valuation of invested assets	(1,238)	423
Change in valuation of employee benefit plans liability	1,377	694
Change in valuation of invested assets attributable to non-controlling interests	98	(51)
Net assets attributable to WSIB stakeholders on a Sufficiency Ratio basis	**3,217**	**2,550**
Sufficiency Ratio	**110.2%**	**108.0%**



5. Internal control over financial reporting

Management is responsible for the accuracy, integrity and objectivity of the consolidated financial statements within reasonable limits of materiality. The WSIB's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS. Management is also responsible for the preparation and presentation of additional financial information included in the Annual Report and ensuring its consistency with the consolidated financial statements.

6. Changes in accounting standards

(a) Standards and amendments adopted during the current year

IFRS 16 *Leases* ("IFRS 16")

IFRS 16 sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract. For lessees, IFRS 16 requires that all leases be recognized on the statement of financial position, with certain exemptions. The accounting for a lessor is substantially unchanged.

Under IFRS 16, the WSIB assesses whether a contract is or contains a lease. This assessment involves the exercise of judgment about whether there is an identifiable asset, whether the WSIB obtains substantially all of the economic benefits from the use of that asset, and whether the WSIB has the right to direct the use of the asset.

The WSIB has elected to apply the practical expedient not to recognize right-of-use assets and liabilities for leases where the total lease term is less than 12 months or for leases of low value. The payments for such leases are recognized in administration and other expenses on a straight-line basis over the term of the lease.

Impact of transition to IFRS 16

Effective January 1, 2019, the WSIB adopted IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in net assets as at January 1, 2019. The comparative information has not been restated.

On transition to IFRS 16, the WSIB elected to apply the practical expedient to grandfather the assessment of contracts that were classified as leases under IAS 17 *Leases,* the previous lease standard. Therefore, the WSIB only applied IFRS 16 to contracts that were previously identified as leases.

On adoption of IFRS 16 and subsequent changes in accounting estimates this quarter, the WSIB recognized right-of-use assets of $72 and lease liabilities of $97. The difference of $25 was recognized in net assets. The right-of-use assets are measured as if IFRS 16 had been applied since the commencement date, but discounted using the WSIB’s incremental borrowing rate as at January 1, 2019. The lease liabilities are measured at the present value of remaining lease payments, discounted using the WSIB’s incremental borrowing rate as at January 1, 2019. The WSIB’s weighted average incremental borrowing rate as at January 1, 2019 was 3.46%.

The following table reconciles the WSIB's operating lease obligations as at December 31, 2018, as previously disclosed in the WSIB's consolidated financial statements, to the lease obligations recognized on initial application of IFRS 16 on January 1, 2019.

	January 1 2019
Operating lease commitments disclosed as at December 31, 2018	27
Extension options reasonably certain to be exercised	91
Effect of discounting lease commitments	(42)
Other	21
Lease liabilities as at January 1, 2019	**97**
Finance lease liabilities as at December 31, 2018	46
Total lease liabilities recognized as at January 1, 2019	**143**

Amendments to IAS 28 *Investments in Associates and Joint Ventures* ("IAS 28")

In October 2017, the IASB issued amendments to IAS 28, which clarify that long-term interests in an associate or joint venture to which the equity method is not applied should be accounted for following the requirements of IFRS 9 *Financial Instruments*. The amendments were effective for annual periods beginning on or after January 1, 2019. The adoption of these amendments did not have a significant impact on the WSIB's unaudited condensed interim consolidated financial statements.

Annual Improvements to IFRSs 2015 – 2017 Cycle

In December 2017, the IASB issued *Annual Improvements to IFRSs 2015 – 2017 Cycle*, which includes minor amendments to IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements*. The amendments were effective for annual periods beginning on or after January 1, 2019. The adoption of these amendments did not have a significant impact on the WSIB's unaudited condensed interim consolidated financial statements.

Amendments to IAS 19 *Employee Benefits* ("IAS 19")

In February 2018, the IASB issued amendments to IAS 19, which require entities to use updated assumptions to determine current service cost and net interest for the period after a plan amendment, curtailment or settlement. The amendments are effective for annual periods beginning on or after January 1, 2019. The adoption of these amendments did not have a significant impact on the WSIB's unaudited condensed interim consolidated financial statements.

(b) Future changes in accounting standards

The following new or amended accounting standards have been issued by the IASB but are not yet effective

IFRS 17 *Insurance Contracts* ("IFRS 17")

In May 2017, the IASB issued IFRS 17, which replaces the guidance in IFRS 4 *Insurance Contracts* and establishes a comprehensive principles-based framework for the recognition, measurement and presentation of insurance contracts. The WSIB will adopt the standard on the effective date of January 1, 2021. However, the IASB has issued an exposure draft deferring the effective date one year to January 1, 2022. The WSIB is currently assessing the impact of adopting this standard and expects that it will have a significant impact on the WSIB's unaudited condensed interim consolidated financial statements.

IFRS 9 *Financial Instruments* ("IFRS 9")

In July 2014, the IASB issued the final version of IFRS 9, which will replace IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 includes guidance on the classification and measurement of financial instruments, impairment of financial assets, and hedge accounting.

A new principles-based model is introduced for classifying and measuring financial assets, based on the business model and the contractual cash flow characteristics of the financial assets held. The classification and measurement for financial liabilities remain generally unchanged; however, for a financial liability designated at fair value through profit or loss, fair value changes attributable to the changes in an entity's own credit risk are reflected in other comprehensive income.

The standard also introduces a new forward-looking expected loss model, which replaces the incurred loss model under IAS 39 for the recognition and measurement of impairment on all financial instruments not measured at fair value. In addition, a new model for hedge accounting is introduced to achieve better alignment with risk management activities.

The WSIB will defer IFRS 9 until January 1, 2021, which is the same effective date as IFRS 17, as allowed under the amendments to IFRS 4 for companies whose activities are predominantly related to insurance (that is, insurance liabilities represent more than 80% of total liabilities). However, the IASB has issued an exposure draft deferring the effective date one year to January 1, 2022. Based on the nature of the WSIB's financial instruments, adoption of IFRS 9 is not expected to have a significant impact on the WSIB's unaudited condensed interim consolidated financial statements as most of the WSIB's financial instruments are measured at fair value.

Amendments to IFRS 3 *Business Combinations* ("IFRS 3")

In October 2018, the IASB issued amendments to IFRS 3, which clarify that to be considered a business, an acquired set of activities must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. The adoption of these amendments is not expected to have a significant impact on the WSIB's unaudited condensed interim consolidated financial statements.

Amendments to IAS 1 *Presentation of Financial Statements* ("IAS 1") **and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*** ("IAS 8")

In October 2018, the IASB issued amendments to IAS 1 and IAS 8. The amendments clarify the definition of "material". The amendments are effective for annual reporting periods beginning on or after January 1, 2020. The adoption of these amendments is not expected to have a significant impact on the WSIB's unaudited condensed interim consolidated financial statements.

7. Outlook

Premiums

Premium revenues are anticipated to decrease in 2019, reflecting the 29.8% reduction to the average premium rate, partially offset by moderate growth in insurable earnings and lower net payouts for mandatory employer incentive programs. The increase in insurable earnings is driven by an assumed 0.8% employment growth and a 2.0% increase in average wages.

Net investment income

Net investment income is planned at a 4.8% net return on investments, consistent with our long-term investment return objective within an expected range of 3.5% to 6.7%. We will continue to implement our Strategic Investment Plan in a way that permits us to take advantage of investment opportunities without exposing us to a higher level of volatility and corresponding investment risk.

Claim payments

Claim payments are anticipated to be higher than the level of claim payments in 2018 driven primarily by higher loss of earnings and higher health care expense.

Administration and other expenses

Administration and other expenses are anticipated to increase in 2019 reflecting increases to information technology costs.

Legislated obligations and funding commitments

Legislated obligations and funding commitments are anticipated to decrease, reflecting lower costs by the MoL to administer and enforce the OHSA and the Workplace Safety and Insurance Appeals Tribunal costs.

Net assets

We anticipate the net assets position will continue to increase, based on current funding and benefit levels and employer contributions, as measured under current accounting and actuarial standards.

Condensed Interim Consolidated Statements of Financial Position
Unaudited (millions of Canadian dollars)

	Note	June 30 2019	December 31 2018
Assets			
Cash and cash equivalents		2,853	2,538
Receivables and other assets	5	1,351	1,480
Public equity securities	7	13,732	12,548
Fixed income securities	7	7,746	7,634
Derivative assets	7	431	159
Investment properties	7	1,415	1,412
Investments in associates and joint ventures		2,343	2,322
Other invested assets	7	8,878	8,929
Property, equipment and intangible assets	8	351	287
Total assets		**39,100**	**37,309**
Liabilities			
Payables and other liabilities	9	1,209	1,604
Derivative liabilities	7	42	448
Long-term debt and lease liabilities	10	203	114
Loss of Retirement Income Fund liability		1,954	1,867
Employee benefit plans liability	11	2,082	1,424
Benefit liabilities	13	27,281	27,210
Total liabilities		**32,771**	**32,667**
Net assets			
Reserves		3,252	1,056
Accumulated other comprehensive income (loss)		(272)	428
Net assets attributable to WSIB stakeholders		**2,980**	**1,484**
Non-controlling interests		3,349	3,158
Total net assets		**6,329**	**4,642**
Total liabilities and net assets		**39,100**	**37,309**

Approved by the Board of Directors

Elizabeth Witmer
Chair
September 18, 2019

Lea Ray
Audit and Finance Committee (Chair)
September 18, 2019

The accompanying notes form an integral part of these unaudited condensed interim consolidated financial statements.

Condensed Interim Consolidated Statements of Comprehensive Income
Unaudited (millions of Canadian dollars)

	Note	Three months ended June 30 2019	Three months ended June 30 2018[1]	Six months ended June 30 2019	Six months ended June 30 2018[1]
Revenues					
Premiums	12	1,014	1,328	1,914	2,578
Net mandatory employer incentive programs	12	(13)	(24)	(37)	(61)
Net premiums		**1,001**	**1,304**	**1,877**	**2,517**
Investment income	6	705	532	2,650	600
Investment expenses	6	(56)	(52)	(120)	(106)
Net investment income		**649**	**480**	**2,530**	**494**
Total revenues		**1,650**	**1,784**	**4,407**	**3,011**
Expenses					
Claim payments		629	622	1,258	1,241
Claim administration costs		111	113	222	225
Change in actuarial valuation of benefit liabilities		(11)	(414)	71	(382)
Total claim costs		**729**	**321**	**1,551**	**1,084**
Loss of Retirement Income Fund contributions		14	15	28	29
Administration and other expenses		119	112	234	222
Legislated obligations and funding commitments		66	64	129	134
Total expenses		**928**	**512**	**1,942**	**1,469**
Excess of revenues over expenses		**722**	**1,272**	**2,465**	**1,542**
Other comprehensive income (loss)					
Item that will not be reclassified subsequently to income					
Remeasurements of employee benefit plans	11	(293)	103	(645)	175
Item that will be reclassified subsequently to income					
Translation gains (losses) from net foreign investments		(29)	(3)	(61)	48
Total other comprehensive income (loss)		**(322)**	**100**	**(706)**	**223**
Total comprehensive income		**400**	**1,372**	**1,759**	**1,765**

	Three months ended June 30		Six months ended June 30	
	2019	**2018**	**2019**	**2018**
Excess of revenues over expenses attributable to:				
WSIB stakeholders	661	1,224	2,221	1,492
Non-controlling interests	61	48	244	50
	722	**1,272**	**2,465**	**1,542**
Total comprehensive income attributable to:				
WSIB stakeholders	342	1,324	1,521	1,710
Non-controlling interests	58	48	238	55
	400	**1,372**	**1,759**	**1,765**

1. Certain comparative amounts have been reclassified to be consistent with the current period's presentation.

The accompanying notes form an integral part of these unaudited condensed interim consolidated financial statements.

Condensed Interim Consolidated Statements of Changes in Net Assets
Unaudited (millions of Canadian dollars)

	Note	Three months ended June 30 2019	Three months ended June 30 2018	Six months ended June 30 2019	Six months ended June 30 2018
Reserves (deficit)					
Balance at beginning of period		2,591	(524)	1,056	(792)
Effect of initial application of IFRS 16	4	-	-	(25)	-
Adjusted balance at beginning of period		2,591	(524)	1,031	(792)
Excess of revenues over expenses		661	1,224	2,221	1,492
Balance at end of period		**3,252**	**700**	**3,252**	**700**
Accumulated other comprehensive income (loss)					
Balance at beginning of period		47	200	428	82
Remeasurements of employee benefit plans	11	(293)	103	(645)	175
Translation gains (losses) from net foreign investments		(26)	(3)	(55)	43
Balance at end of period		**(272)**	**300**	**(272)**	**300**
Net assets attributable to WSIB stakeholders		**2,980**	**1,000**	**2,980**	**1,000**
Non-controlling interests					
Balance at beginning of period		3,278	3,231	3,158	3,228
Excess of revenues over expenses		61	48	244	50
Translation gains (losses) from net foreign investments		(3)	-	(6)	5
Change in ownership share in investments		13	(7)	(47)	(11)
Balance at end of period		**3,349**	**3,272**	**3,349**	**3,272**
Total net assets		**6,329**	**4,272**	**6,329**	**4,272**

The accompanying notes form an integral part of these unaudited condensed interim consolidated financial statements.

Condensed Interim Consolidated Statements of Cash Flows
Unaudited (millions of Canadian dollars)

		Three months ended June 30		Six months ended June 30	
	Note	**2019**	**2018**	**2019**	**2018**
Operating activities:					
Total comprehensive income		400	1,372	1,759	1,765
Adjustments:					
Amortization of net discount on investments		(8)	(6)	(16)	(11)
Depreciation and amortization of property, equipment and intangible assets		13	11	26	22
Changes in fair value of investments		(509)	(290)	(2,303)	(155)
Changes in fair value of investment properties		(3)	(9)	(8)	(27)
Translation (gains) losses from net foreign investments		29	3	61	(48)
Dividend income from public equity securities		(108)	(161)	(259)	(264)
Income from investments in associates and joint ventures		(44)	(25)	(62)	(47)
Interest income		(51)	(54)	(97)	(99)
Interest expense		3	3	6	5
Total comprehensive income (loss) after adjustments		**(278)**	**844**	**(893)**	**1,141**
Changes in non-cash balances related to operations:					
Receivables and other assets, excluding those related to investing activities		(110)	(97)	(44)	(159)
Payables and other liabilities, excluding those related to investing and financing activities		83	102	(140)	21
Loss of Retirement Income Fund liability		15	16	87	14
Employee benefit plans liability	11	300	(77)	658	(132)
Benefit liabilities	13	(11)	(414)	71	(382)
Total changes in non-cash balances related to operations		277	(470)	632	(638)
Net cash provided (required) by operating activities		**(1)**	**374**	**(261)**	**503**

	Note	Three months ended June 30		Six months ended June 30	
		2019	**2018**	**2019**	**2018**
Investing activities:					
Dividends received from public equity securities, associates and joint ventures		130	180	282	284
Interest received		72	78	95	99
Purchases of property, equipment and intangible assets		(11)	(7)	(17)	(12)
Purchases of investments		(6,410)	(5,290)	(10,225)	(9,548)
Proceeds on sales and maturities of investments		6,269	4,786	10,485	8,423
Net dispositions (additions) to investment properties		14	(17)	4	(27)
Net dispositions (additions) to investments in associates and joint ventures		-	1	8	(120)
Net cash provided (required) by investing activities		**64**	**(269)**	**632**	**(901)**
Financing activities:					
Net contributions related to non-controlling interests		36	12	3	21
Distributions paid by subsidiaries to non-controlling interests		(23)	(19)	(50)	(32)
Net repayment of debt and lease liabilities		(2)	(18)	(3)	(17)
Interest paid on debt and lease liabilities		(3)	(2)	(6)	(4)
Net cash provided (required) by financing activities		**8**	**(27)**	**(56)**	**(32)**
Net increase (decrease) in cash and cash equivalents		**71**	**78**	**315**	**(430)**
Cash and cash equivalents, beginning of period		2,782	2,078	2,538	2,586
Cash and cash equivalents, end of period		**2,853**	**2,156**	**2,853**	**2,156**

The accompanying notes form an integral part of these unaudited condensed interim consolidated financial statements.

Notes to Condensed Interim Consolidated Financial Statements
June 30, 2019
Unaudited

Table of contents

1. Nature of operations

The Workplace Safety and Insurance Board (the "WSIB") is a statutory corporation created by an Act of the Ontario Legislature in 1914 and domiciled in the Province of Ontario (the "Province"), Canada. As a board-governed trust agency, in accordance with the Agencies and Appointments Directive, the WSIB is responsible for administering the *Workplace Safety and Insurance Act, 1997* (Ontario) (the "WSIA"), which establishes a no-fault insurance scheme that provides benefits to people who experience workplace injuries or illnesses.

The WSIB promotes workplace health and safety in the Province and provides a workplace compensation system for Ontario based employers and people with work-related injuries or illnesses. The WSIB is funded by employer premiums and does not receive any government funding or assistance. Revenues are also earned from a diversified investment portfolio held to meet future obligations on existing claims.

The WSIB's registered office is located at 200 Front Street West, Toronto, Ontario, M5V 3J1.

2. Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These unaudited condensed interim consolidated financial statements should be read in conjunction with the annual information available in the consolidated financial statements and the accompanying notes for the year ended December 31, 2018. Except as noted in note 3 and 4, these unaudited condensed interim consolidated financial statements have been prepared on a basis consistent with the policies and methods outlined in the notes to the consolidated financial statements for the year ended December 31, 2018.

These unaudited condensed interim consolidated financial statements were authorized for issuance by the WSIB's Board of Directors on September 18, 2019.

3. Significant accounting policies, estimates and assumptions

Use of estimates and assumptions

The WSIB is required to apply judgment when making estimates and assumptions that affect the reported amounts recognized in these unaudited condensed interim consolidated financial statements. The estimates and assumptions that are significant in these unaudited condensed interim consolidated financial statements are the same as those applied in the annual information provided in the consolidated financial statements for the year ended December 31, 2018, except for the new significant judgments and key source of estimation uncertainty related to IFRS 16 *Leases* ("IFRS 16") described below.

Judgments and estimates required in the application of IFRS 16 include whether a contract (or part of a contract) includes a lease, determining whether it is reasonably certain that an extension or termination option will be exercised and estimation of the lease term, determination of the appropriate discount rate to discount the lease payments, and an assessment of whether the right-of-use asset is impaired.

4. Changes in accounting standards

(a) Standards and amendments adopted during the current year

IFRS 16 *Leases*

IFRS 16 sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract. For lessees, IFRS 16 requires that all leases be recognized on the statement of financial position, with certain exemptions. The accounting for a lessor is substantially unchanged.

Under IFRS 16, the WSIB assesses whether a contract is or contains a lease. This assessment involves the exercise of judgment about whether there is an identifiable asset, whether the WSIB obtains substantially all of the economic benefits from the use of that asset, and whether the WSIB has the right to direct the use of the asset.

The WSIB has elected to apply the practical expedient not to recognize right-of-use assets and liabilities for leases where the total lease term is less than 12 months or for leases of low value. The payments for such leases are recognized in administration and other expenses on a straight-line basis over the term of the lease.

Impact of transition to IFRS 16

Effective January 1, 2019, the WSIB adopted IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in net assets as at January 1, 2019. The comparative information has not been restated.

On transition to IFRS 16, the WSIB elected to apply the practical expedient to grandfather the assessment of contracts that were classified as leases under IAS 17 *Leases,* the previous lease standard. Therefore, the WSIB only applied IFRS 16 to contracts that were previously identified as operating leases.

On adoption of IFRS 16 and subsequent changes in accounting estimates this quarter, the WSIB recognized right-of-use assets of $72 and lease liabilities of $97. The difference of $25 was recognized in net assets. The right-of-use assets are measured as if IFRS 16 had been applied since the commencement date, but discounted using the WSIB's incremental borrowing rate as at January 1, 2019. The lease liabilities are measured at the present value of remaining lease payments, discounted using the WSIB's incremental borrowing rate as at January 1, 2019. The WSIB's weighted average incremental borrowing rate as at January 1, 2019 was 3.46%.

The following table reconciles the WSIB's operating lease obligations as at December 31, 2018, as previously disclosed in the WSIB's consolidated financial statements, to the lease obligations recognized on initial application of IFRS 16 on January 1, 2019.

	January 1 2019
Operating lease commitments disclosed as at December 31, 2018	27
Extension options reasonably certain to be exercised	91
Effect of discounting lease commitments	(42)
Other	21
Lease liabilities as at January 1, 2019	**97**
Finance lease liabilities at December 31, 2018	46
Total lease liabilities recognized as at January 1, 2019	**143**

Amendments to IAS 28 *Investments in Associates and Joint Ventures* ("IAS 28")

In October 2017, the IASB issued amendments to IAS 28, which clarify that long-term interests in an associate or joint venture to which the equity method is not applied should be accounted for following the requirements of IFRS 9 *Financial Instruments*. The amendments were effective for annual periods beginning on or after January 1, 2019. The adoption of these amendments did not have a significant impact on the WSIB's unaudited condensed interim consolidated financial statements.

Annual Improvements to IFRSs 2015 – 2017 Cycle

In December 2017, the IASB issued *Annual Improvements to IFRSs 2015 – 2017 Cycle*, which includes minor amendments to IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements*. The amendments were effective for annual periods beginning on or after January 1, 2019. The adoption of these amendments did not have a significant impact on the WSIB's unaudited condensed interim consolidated financial statements.

Amendments to IAS 19 *Employee Benefits* ("IAS 19")

In February 2018, the IASB issued amendments to IAS 19 which require entities to use updated assumptions to determine current service cost and net interest for the period after a plan amendment, curtailment or settlement. The amendments are effective for annual periods beginning on or after January 1, 2019. The adoption of these amendments did not have a significant impact on the WSIB's unaudited condensed interim consolidated financial statements.

(b) Future changes in accounting standards

The following new or amended accounting standards have been issued by the IASB but are not yet effective.

IFRS 17 *Insurance Contracts* ("IFRS 17")

In May 2017, the IASB issued IFRS 17, which replaces the guidance in IFRS 4 *Insurance Contracts* and establishes a comprehensive principles-based framework for the recognition, measurement and presentation of insurance contracts. The WSIB will adopt the standard on the effective date of January 1, 2021. However, the IASB has issued an exposure draft deferring the effective date one year to January 1, 2022. The WSIB is currently assessing the impact of adopting this standard and expects that it will have a significant impact on the WSIB's unaudited condensed interim consolidated financial statements.

IFRS 9 *Financial Instruments* ("IFRS 9")

In July 2014, the IASB issued the final version of IFRS 9, which will replace IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 includes guidance on the classification and measurement of financial instruments, impairment of financial assets, and hedge accounting.

A new principles-based model is introduced for classifying and measuring financial assets, based on the business model and the contractual cash flow characteristics of the financial assets held. The classification and measurement for financial liabilities remain generally unchanged; however, for a financial liability designated at fair value through profit or loss, fair value changes attributable to the changes in an entity's own credit risk are reflected in other comprehensive income.

The standard also introduces a new forward-looking expected loss model, which replaces the incurred loss model under IAS 39 for the recognition and measurement of impairment on all financial instruments not measured at fair value. In addition, a new model for hedge accounting is introduced to achieve better alignment with risk management activities.

The WSIB will defer IFRS 9 until January 1, 2021, which is the same effective date as IFRS 17, as allowed under the amendments to IFRS 4 for companies whose activities are predominantly related to insurance (that is, insurance liabilities represent more than 80% of total liabilities). However, the IASB has issued an exposure draft deferring the effective date one year to January 1, 2022. Based on the nature of the WSIB's financial instruments, adoption of IFRS 9 is not expected to have a significant impact on the WSIB's unaudited condensed interim consolidated financial statements as most of the WSIB's financial instruments are measured at fair value.

Amendments to IFRS 3 *Business Combinations* (“IFRS 3”)

In October 2018, the IASB issued amendments to IFRS 3, which clarify that to be considered a business, an acquired set of activities must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. The adoption of these amendments is not expected to have a significant impact on the WSIB’s unaudited condensed interim consolidated financial statements.

Amendments to IAS 1 *Presentation of Financial Statements* (“IAS 1”) **and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*** (“IAS 8”)

In October 2018, the IASB issued amendments to IAS 1 and IAS 8. The amendments clarify the definition of “material”. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. The adoption of these amendments is not expected to have a significant impact on the WSIB’s unaudited condensed interim consolidated financial statements.

5. Receivables and other assets

Receivables and other assets are comprised of the following:

	June 30 2019	**December 31 2018**
Premium receivables	252	340
Accrued premium receivables	460	473
Less: Allowance for doubtful accounts	(139)	(140)
Net premium receivables	**573**	**673**
Investment receivables[1]	204	376
Total receivables	**777**	**1,049**
Other assets[2]	574	431
Total receivables and other assets	**1,351**	**1,480**

1. Investment receivables include $21 (December 31, 2018 – $22) which are expected to be received over a period of more than one year.
2. Other assets include employer incentive program surcharges of $492 (December 31, 2018 – $356) which are expected to be received over a period of more than one year.

6. Net investment income

Net investment income by nature of invested assets for the three months and six months ended June 30 is as follows:

	Three months ended June 30		**Six months ended June 30**	
	2019	**2018**	**2019**	**2018**
Cash and cash equivalents	5	4	9	6
Public equity securities	149	369	1,425	623
Fixed income securities	92	32	247	77
Derivative financial instruments	371	(109)	873	(627)
Investment properties	18	22	36	54
Investments in associates and joint ventures	44	25	62	47
Other invested assets				
Investment funds	67	219	147	451
Infrastructure related investments	(11)	(3)	(23)	(3)
Real estate related investments	2	(1)	(5)	2
Less: Income attributable to Loss of Retirement Income Fund	(32)	(26)	(121)	(30)
Investment income	**705**	**532**	**2,650**	**600**
Less: Investment expenses[1]	(56)	(52)	(120)	(106)
Net investment income	**649**	**480**	**2,530**	**494**

1. Includes $26 and $59 of management fees paid to investment managers for the three months and six months ended June 30, 2019, respectively (2018 – $27 and $64).

7. Fair value measurement and disclosures

Fair value hierarchy

The WSIB uses a fair value hierarchy to categorize the inputs used in valuation techniques to estimate the fair values of assets and liabilities.

The table below provides a general description of the valuation methods used for fair value measurements.

Hierarchy level	Valuation methods
Level 1	Fair value is based on unadjusted quoted market prices in active markets for identical assets or liabilities that the WSIB has the ability to access at the measurement date.
Level 2	Fair value is based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or model inputs that are either observable or can be corroborated by observable market data for the assets or liabilities.
Level 3	Fair value is measured using significant non-market observable inputs. These include valuations for assets and liabilities that are derived using information, some or all of which are not market observable, as well as assumptions about risk.

Measurements of the fair value of an asset or liability may use multiple inputs that are categorized in different levels of the fair value hierarchy. In these cases, the asset or liability is classified in the hierarchy level of the lowest level input that is significant to the measurement.

Notes to Condensed Interim Consolidated Financial Statements
June 30, 2019
Unaudited

The following table provides the fair value hierarchy classifications for assets and liabilities:

	June 30, 2019				December 31, 2018[3]			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets and liabilities measured at fair value								
Cash and cash equivalents[1]	936	1,917	-	**2,853**	1,028	1,510	-	**2,538**
Public equity securities	13,668	64	-	**13,732**	12,493	55	-	**12,548**
Fixed income securities	-	7,746	-	**7,746**	-	7,634	-	**7,634**
Derivative assets	89	342	-	**431**	65	94	-	**159**
Investment properties	-	-	1,415	**1,415**	-	-	1,412	**1,412**
Other invested assets								
Investment funds	-	-	8,015	**8,015**	-	-	8,032	**8,032**
Infrastructure related investments	-	-	382	**382**	-	-	412	**412**
Real estate related investments	-	-	481	**481**	-	-	485	**485**
Derivative liabilities	(11)	(31)	-	**(42)**	(72)	(376)	-	**(448)**
Assets and liabilities for which fair value is disclosed								
Investment receivables[1]	-	204	-	**204**	-	376	-	**376**
Administration payables[1]	(338)	-	-	**(338)**	(336)	-	-	**(336)**
Investment payables[1]	-	(81)	-	**(81)**	-	(341)	-	**(341)**
Long-term debt[2]	-	(69)	-	**(69)**	-	(66)	-	**(66)**
Loss of Retirement Income Fund liability	-	-	(1,954)	**(1,954)**	-	-	(1,867)	**(1,867)**

1. The carrying amounts (less allowance for impairment) of cash and cash equivalents, investment receivables and administration and investment payables approximate their fair values.
2. Carrying amount as at June 30, 2019 was $70 (December 31, 2018 – $70).
3. Certain comparative amounts have been reclassified to be consistent with the current period's presentation.

Transfers between levels within the hierarchy are recognized at the end of the reporting period.

During the three months and six months ended June 30, 2019 and June 30, 2018, there were no transfers between Level 1 and Level 2.

During the three months and six months ended June 30, 2019, there were no transfers between Level 2 and Level 3. For the three months ended June 30, 2018, there were no transfers between Level 2 and Level 3. During the six months ended June 30, 2018, infrastructure related investments with a carrying amount of $361 were transferred from Level 2 to Level 3 because the inputs used in their valuations were based on unobservable inputs, versus the previous period.

Level 3 fair value measurements

The following tables provide reconciliations of assets included in Level 3 of the fair value hierarchy:

	Other invested assets					
For the three months ended June 30, 2019	Investment funds	Infrastructure related investments	Real estate related investments	**Subtotal**	**Investment properties**	**Total**
Balance as at April 1, 2019	7,537	398	480	8,415	1,425	9,840
Net gains (losses) recognized in net investment income	14	(4)	1	11	4	15
Foreign translation losses recognized in other comprehensive income	(19)	(12)	-	(31)	-	(31)
Purchases or asset acquisition	609	-	-	609	-	609
Sales or disposals	(126)	-	-	(126)	(32)	(158)
Capital expenditures	-	-	-	-	18	18
Balance as at June 30, 2019	**8,015**	**382**	**481**	**8,878**	**1,415**	**10,293**
Changes in unrealized gains (losses) included in earnings for assets and liabilities for positions still held	**(25)**	**(16)**	**1**	**(40)**	**4**	**(36)**

Notes to Condensed Interim Consolidated Financial Statements
June 30, 2019
Unaudited

	Other invested assets					
For the six months ended June 30, 2019	Investment funds	Infrastructure related investments	Real estate related investments	**Subtotal**	**Investment properties**	**Total**
Balance as at January 1, 2019	8,032	412	485	8,929	1,412	10,341
Net gains (losses) recognized in net investment income	(64)	(1)	(5)	(70)	8	(62)
Foreign translation losses recognized in other comprehensive income	(36)	(29)	-	(65)	-	(65)
Purchases or asset acquisition	726	-	1	727	-	727
Sales or disposals	(643)	-	-	(643)	(32)	(675)
Capital expenditures	-	-	-	-	27	27
Balance as at June 30, 2019	**8,015**	**382**	**481**	**8,878**	**1,415**	**10,293**
Changes in unrealized gains (losses) included in earnings for assets and liabilities for positions still held	**(158)**	**(30)**	**(5)**	**(193)**	**8**	**(185)**

Notes to Condensed Interim Consolidated Financial Statements
June 30, 2019
Unaudited

	Other invested assets					
For the three months ended June 30, 2018	Investment funds	Infrastructure related investments	Real estate related investments	**Subtotal**	**Investment properties**	**Total**
Balance as at April 1, 2018	7,115	761	459	8,335	1,368	9,703
Net gains (losses) recognized in net investment income	177	3	(2)	178	9	187
Translation gains (losses) recognized in other comprehensive income	15	(19)	-	(4)	-	(4)
Purchases or asset acquisition	220	-	3	223	-	223
Sales or disposals	(24)	-	-	(24)	-	(24)
Capital expenditures	-	-	-	-	16	16
Balance as at June 30, 2018	**7,503**	**745**	**460**	**8,708**	**1,393**	**10,101**
Changes in unrealized gains (losses) included in earnings for assets and liabilities for positions still held	**189**	**(16)**	**(2)**	**171**	**9**	**180**

Notes to Condensed Interim Consolidated Financial Statements
June 30, 2019
Unaudited

	Other invested assets					
For the six months ended June 30, 2018	Investment funds	Infrastructure related investments	Real estate related investments	**Subtotal**	**Investment properties**	**Total**
Balance as at January 1, 2018	6,714	399	456	7,569	1,340	8,909
Net gains (losses) recognized in net investment income	396	(27)	1	370	27	397
Translation gains recognized in other comprehensive income	35	12	-	47	-	47
Purchases or asset acquisition	513	-	3	516	-	516
Sales or disposals	(155)	-	-	(155)	-	(155)
Capital expenditures	-	-	-	-	26	26
Transfers into Level 3	-	361	-	361	-	361
Balance as at June 30, 2018	**7,503**	**745**	**460**	**8,708**	**1,393**	**10,101**
Changes in unrealized gains (losses) included in earnings for assets and liabilities for positions still held	**421**	**(14)**	**1**	**408**	**27**	**435**

The following table summarizes the valuation methods and quantitative information about the significant unobservable inputs used in Level 3 financial instruments:

	Valuation methods	Key Unobservable inputs	June 30, 2019 Range of inputs Low	June 30, 2019 Range of inputs High	December 31, 2018 Range of inputs Low	December 31, 2018 Range of inputs High
Investment funds	Net asset value	Net asset value	n/a	n/a	n/a	n/a
Infrastructure related investments	Discounted cash flow and market comparable	Discount rate and expected future cash flows	n/a	n/a	n/a	n/a
Real estate related investments and investment properties	Discounted cash flow and market comparable	Discount rate	4.8%	7.8%	4.8%	7.8%
		Terminal capitalization rate	4.3%	7.0%	4.3%	7.0%
Loss of Retirement Income Fund liability	Net asset value	Net asset value	n/a	n/a	n/a	n/a

Sensitivity of Level 3 financial instruments

Fair values of investment funds are based on net asset values provided by investment managers.

Fair values of infrastructure related investments are based on valuations obtained from investment managers. The WSIB assesses the reasonableness of these fair values based on periodic appraisals performed by independent qualified appraisers. The valuations of infrastructure related investments obtained from investment managers are based on comparable transactions in the market and discounted cash flow models using unobservable inputs such as discount rates, terminal values and expected future cash flows. Holding other factors constant, an increase to terminal values or expected future cash flows would tend to increase the fair value, while an increase in the discount rate would have the opposite effect.

Fair values of real estate related investments and investment properties are obtained from qualified appraisers who apply a discounted cash flow model to determine property values. Key unobservable inputs include discount and terminal capitalization rates, projected rental income and expenses, inflation rates and vacancy rates. Holding other factors constant, an increase to projected rental income would increase the fair values, while an increase in the inputs for the discount rates and terminal capitalization rates would have the opposite effect.

Fair values of the Loss of Retirement Income Fund liability are based on the fair values of the assets in the Loss of Retirement Income Fund.

The WSIB has not applied another reasonably possible alternative assumption to the significant Level 3 categories as the net asset values and appraised fair values are provided by the investment managers and other third-party appraisers.

8. Property, equipment and intangible assets

	Property and equipment				Intangible assets		
	Land	Buildings[1]	Leasehold improvements	Office and computer equipment	Internally developed software	Acquired software	Total
Cost							
Balance as at December 31, 2017	**40**	**102**	**19**	**23**	**236**	**8**	**428**
Additions	-	-	1	3	24	-	28
Balance as at December 31, 2018	**40**	**102**	**20**	**26**	**260**	**8**	**456**
Adjustments[2]	-	152	-	-	-	-	152
Additions	-	-	1	-	17	-	18
Balance as at June 30, 2019	**40**	**254**	**21**	**26**	**277**	**8**	**626**
Accumulated depreciation and amortization							
Balance as at December 31, 2017	-	**32**	**15**	**22**	**55**	**2**	**126**

Notes to Condensed Interim Consolidated Financial Statements
June 30, 2019
Unaudited

	Property and equipment				Intangible assets		
	Land	**Buildings[1]**	**Leasehold improvements**	**Office and computer equipment**	**Internally developed software**	**Acquired software**	**Total**
Depreciation and amortization	-	3	2	1	35	2	43
Balance as at December 31, 2018	**-**	**35**	**17**	**23**	**90**	**4**	**169**
Adjustments[2]	-	80	-	-	-	-	80
Depreciation and amortization	-	4	1	-	19	2	26
Balance as at June 30, 2019	**-**	**119**	**18**	**23**	**109**	**6**	**275**
Carrying amounts							
At December 31, 2018	**40**	**67**	**3**	**3**	**170**	**4**	**287**
At June 30, 2019	**40**	**135**	**3**	**3**	**168**	**2**	**351**

1. Buildings include right-of-use assets of $72 (net of accumulated depreciation of $80).
2. Adjustments related to the initial application of IFRS 16.

The carrying amount for internally developed software as at June 30, 2019 includes $39 of costs (December 31, 2018 – $25) for software that was not yet available for use and therefore was not yet subject to amortization.

The WSIB has determined that there was no impairment of property, equipment and intangible assets during the six months ended June 30, 2019.

9. Payables and other liabilities

	June 30 2019	December 31 2018
Administration payables	338	336
Investment payables	81	341
Other liabilities	790	927
Total payables and other liabilities	**1,209**	**1,604**

Payables are expected to be paid within 12 months from the reporting date. As at June 30, 2019, other liabilities include experience rating refunds of $754 (December 31, 2018 – $779) which are expected to be paid over the next one and a half years.

10. Long-term debt and lease liabilities

Long-term debt and lease liabilities are comprised of the following:

	June 30 2019	December 31 2018
Mortgages payable	70	70
Lease liabilities	140	46
Less: Current portion	(7)	(2)
Total long-term debt and lease liabilities	**203**	**114**

11. Employee benefit plans

Employee benefit plans expense

The cost of the employee benefit plans recognized in administration and other expenses for the three months and six months ended June 30 is as follows:

	Pension plans		Other benefits		Total	
For the three months ended June 30	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Current service cost	26	28	4	5	30	33
Net interest on the employee benefit plans liability	7	7	8	7	15	14
Employee benefit plans expense	**33**	**35**	**12**	**12**	**45**	**47**

Notes to Condensed Interim Consolidated Financial Statements
June 30, 2019
Unaudited

	Pension plans		**Other benefits**		**Total**	
For the six months ended June 30	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Current service cost	52	56	8	10	60	66
Net interest on the employee benefit plans liability	15	15	15	14	30	29
Long-term employee benefit losses	-	-	2	1	2	1
Employee benefit plans expense	**67**	**71**	**25**	**25**	**92**	**96**

Amounts recognized in other comprehensive income (loss) for the three months and six months ended June 30 are as follows:

	Pension plans		**Other benefits**		**Total**	
For the three months ended June 30	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Actuarial gains (losses) arising from:						
Financial assumptions	(271)	66	(54)	9	(325)	75
Plan experience	-	(1)	1	5	1	4
Return on plan assets excluding interest income	31	24	-	-	31	24
Remeasurements of employee benefit plans	**(240)**	**89**	**(53)**	**14**	**(293)**	**103**

	Pension plans		**Other benefits**		**Total**	
For the six months ended June 30	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Actuarial gains (losses) arising from:						
Financial assumptions	(691)	132	(137)	31	(828)	163
Plan experience	-	-	1	4	1	4
Return on plan assets excluding interest income	182	8	-	-	182	8
Remeasurements of employee benefit plans	**(509)**	**140**	**(136)**	**35**	**(645)**	**175**

Notes to Condensed Interim Consolidated Financial Statements
June 30, 2019
Unaudited

Employee benefit plans liability

The employee benefit plans liability is comprised of the following:

	Pension plans		**Other benefits**		**Total**	
	Jun. 30 2019	**Dec. 31 2018**	**Jun. 30 2019**	**Dec. 31 2018**	**Jun. 30 2019**	**Dec. 31 2018**
Present value of obligations[1]	4,641	3,880	891	744	5,532	4,624
Fair value of plan assets	(3,450)	(3,200)	-	-	(3,450)	(3,200)
Employee benefit plans liability	**1,191**	**680**	**891**	**744**	**2,082**	**1,424**

1. The WSIB's pension plans are wholly or partly funded whereas the WSIB's other benefits are wholly unfunded.

12. Premium revenues

A summary of premiums for the three months and six months ended June 30 is as follows:

	Three months ended June 30		Six months ended June 30	
	2019	**2018**[1]	**2019**	**2018**[1]
Gross Schedule 1 premiums	977	1,296	1,859	2,520
Bad debts	(8)	(14)	(28)	(27)
Interest and penalties	21	21	37	36
Other income	1	-	2	1
Schedule 1 employer premiums	**991**	**1,303**	**1,870**	**2,530**
Schedule 2 employer administration fees	23	25	44	48
Premiums	**1,014**	**1,328**	**1,914**	**2,578**
Net mandatory employer incentive programs	(13)	(24)	(37)	(61)
Net premiums	**1,001**	**1,304**	**1,877**	**2,517**

1. Certain comparative amounts have been reclassified to be consistent with the current period's presentation.

13. Benefit liabilities

Benefit liabilities are comprised of the following:

	June 30 2019	**December 31 2018**
Loss of earnings	8,605	8,523
Workers' pensions	5,583	5,731
Health care	4,357	4,254
Survivor benefits	3,116	3,091
Future economic loss	919	982
External providers	96	94
Non-economic loss	287	285
Long latency occupational diseases	2,437	2,384
Claim administration costs	1,358	1,338
Loss of Retirement Income	523	528
Benefit liabilities	**27,281**	**27,210**

14. Commitments and contingent liabilities

(a) Investment commitments

The WSIB had the following commitments for capital calls related to its investment portfolio:

	June 30 2019	December 31 2018
Investment funds, infrastructure and real estate related investments	2,382	2,188
Investments in associates and joint ventures	71	80
Purchases or development of investment properties	25	32
Total investment commitments	**2,478**	**2,300**

There was no specific timing requirement to fulfill these commitments during the investment period.

(b) Legislated obligations and funding commitments

Known commitments related to legislated obligations and funding commitments as at June 30, 2019 were approximately $256 for the period from July 1, 2019 to June 30, 2020.

(c) Legal actions

The WSIB is engaged in various legal proceedings and claims that have arisen in the ordinary course of business, the outcome of which is subject to future resolution. Based on information currently known to the WSIB, management believes the probable ultimate resolution of all existing legal proceedings and claims will not have a material effect on the WSIB's financial position.

15. Related party transactions

The WSIB's related parties include the Government of Ontario and related entities, key management personnel, subsidiaries, associates, joint ventures, and post-retirement benefit plans for the WSIB's employees. The transactions are in the ordinary course of business and at arm's-length.

Government of Ontario and related entities

The WSIB is a board-governed trust agency under the Agencies and Appointments Directive, responsible for administering the WSIA. As such, the WSIB is considered a government-related entity and is provided partial exemptions under IFRS from its disclosure of transactions with the Government of Ontario and various ministries, agencies, and Crown corporations over which the Government of Ontario has control.

The WSIB is required to make payments to defray the cost of administering the *Occupational Health and Safety Act* (the "OHSA") and the regulations made under the OHSA. The WSIB is also required to pay for the operating costs of the Workplace Safety and Insurance Appeals Tribunal and the costs that may be incurred by the Office of the Worker Adviser and the Office of the Employer Adviser. The WSIB also provides various grants and funding to carry on investigations, research and training. The total of this funding for the three months and six months ended June 30, 2019 was $64 and $125, respectively (2018 – $62 and $131), and is included in legislated obligations and funding commitments expenses.

In addition to the above, the unaudited condensed interim consolidated financial statements include amounts resulting from transactions conducted in the normal course of operations with various ministries, agencies, and Crown corporations over which the Government of Ontario has control.

Included in investments as at June 30, 2019 are $1,400 of marketable fixed income securities issued by the Government of Ontario and related entities (December 31, 2018 – $1,376).

Reimbursements paid to the Ministry of Health and Long-Term Care ("MOHLTC") for physicians' fees for services to people with work-related injuries or illnesses are included in claim payments. Administrative fees paid to the MOHLTC are included in administration and other expenses.

Investment Management Corporation of Ontario ("IMCO")

In 2016, the WSIB was named in *Ontario Regulation 251/16* as one of the initial members of IMCO. Created by the Ontario government and enacted by legislation, IMCO is a new entity that will provide investment management and advisory services to participating organizations in Ontario's public sector.

On July 24, 2017, IMCO officially began managing the WSIB's invested assets, and subsequent to IMCO becoming operational, the WSIB's share of IMCO's operating expenses is paid by the WSIB on a cost recovery basis.

External investment manager and custodial fees, previously paid directly by the WSIB, are now paid by IMCO on the WSIB's behalf.

Employee benefit plans

The WSIB's defined benefit pension plans and the other benefit plans are considered related parties. Note 11 provides details of transactions with these employee benefit plans.